

## Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-08 FRB-03 INR-07

NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

LAB-04 SIL-01 OMB-01 AGRE-00 NEA-10 /065 W

-----038784 300946Z /20

R 300737Z DEC 77

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 5942

INFO USDOC WASHDC

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E.O. 11652: N/A

TAGS: BEXP, ETRD, TW

SUBJECT: ROC GOVERNMENT BUYING MISSION/THE "BUY AMERICA" PROGRAM

REF: (A) TAIPEI 7694, (B) TAIPEI 7667, (C) TAIPEI 7640,

(D) STATE 304798

1. NOW THAT THE DUST HAS BEGUN TO SETTLE PERHAPS IT IS TIME TO LOOK AT THE GROC BUYING MISSION TO THE US IN TERMS OF WHAT IT CAN CONTRIBUTE TO REDUCING THE ROC TRADE SURPLUS WITH THE U.S. IN LIGHT OF GROC'S "BUY AMERICA" PROGRAM.

A. THE MISSION'S SHOPPING LIST FOR AGRICULTURAL COMMODITIES INCLUDES 750,000 MT OF CORN, 187,000 MT OF WHEAT, 108,000 MT OF SOYBEANS, 52,000 MT OF BARLEY AND UNSPECIFIED QUANTITIES OF WINE, LIQUORS AND TOBACCO. PURCHASES OF WHEAT AND SOYBEANS BY THE MISSION ABOVE THE AMOUNTS AGREED TO IN THE MARCH 1976 SUPPLY AGREEMENT ARE ABOUT EQUAL TO WHAT THE EMBASSY HAS ANTICIPATED THE ROC WILL PURCHASE IN 1978, MISSION OR NOT. ADDITIONAL WHEAT PURCHASES WILL PUT TOTAL PURCHASES FOR 1978 AT 737,000 MT, ABOUT 100,000 MT ABOVE CONSUMPTION FORECASTS. HOWEVER, SINCE CONSUMPTION IS NOT INCREASING THE ADDITIONAL WHEAT WILL BE ADDED TO

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STOCKS. THIS MEANS THAT PURCHASES IN 1979 PROBABLY WILL DECLINE. AS FOR BARLEY, THE 52,000 MT TO BE PURCHASED BY THE MISSION WILL BE LESS THAN THE AMOUNT SPECIFIED IN THE MARCH 1976 SUPPLY AGREEMENT AND ABOUT EQUAL TO THE AMOUNT PURCHASED IN 1976 AND 1977 THE VALUE OF WINES AND LIQUORS TO BE PURCHASED WILL BE LESS THAN US\$400,000 BUT THERE ARE INDICATIONS THAT THE TAIWAN

TOBACCO AND WINE MONOPOLY BUREAU IS INTERESTED IN ESTABLISHING LONG-TERM CONTRACTUAL ARRANGEMENTS. IT IS NOTICEABLE THAT APPLES AND CITRUS ARE NOT ON THE SHOPPING LIST, BUT THE MISSION PROPOSES TO HAVE DISCUSSIONS WITH EXPORTERS IN SEATTLE, PHOENIX AND LOS ANGELES. WHILE THE AMOUNT OF TOBACCO TO BE PURCHASED HAS NOT BEEN ANNOUNCED, THE ROC NORMALLY PURCHASES A FIXED AMOUNT EACH YEAR FROM U.S. SUPPLIERS. TOBACCO PURCHASED BY THE MISSION IN FEBRUARY 1978 WILL BE DEDUCTED FROM PURCHASES WHICH NORMALLY WOULD BE MADE LATER IN THE YEAR.

B. IN THE CASE OF INDUSTRIAL GOODS AND RAW MATERIALS, THE SITUATION IS MORE POSITIVE. THE TAIWAN PROVINCIAL FOOD BUREAU WILL PURCHASE POTASSIUM CHLORIDE IT HISTORICALLY HAS PURCHASED FROM JAPAN, THE TAIWAN FERTILIZER COMPANY WILL SWITCH SOURCES OF SULPHUR AND PHOSPHATE ROCK FROM CANADA, ISRAEL AND MOROCCO TO THE U.S. THE TAIWAN SUPPLY BUREAU WILL PURCHASE ELECTROLYTIC TIN-PLATE IN THE U.S. INSTEAD OF JAPAN. THE CHINESE PETROLEUM CORP. WILL BUY US DRILL PIPE INSTEAD OF JAPANESE AND THE TAIWAN ALKALI COMPANY WILL BUY US GRAPHITE PLATES AND RODS, MERCURY AND CHLORINE INSTEAD OF JAPANESE. THESE PURCHASES WILL RESULT IN AN INCREASE IN US EXPORTS OF APPROXIMATELY US\$11 MILLION. THE TAIWAN POWER COMPANY AND THE CHINESE GOVERNMENT RADIO LIMITED OFFICIAL USE

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ADMINISTRATION WILL ALSO MAKE PURCHASES AMOUNTING TO APPROXIMATELY US\$13.8 MILLION AND US\$3 MILLION, RESPECTIVELY, BUT MANY OF THESE PURCHASES WOULD HAVE BEEN MADE IN THE US IN THE ABSENCE OF A MISSION.

2. DURING ECONCOUN MEETING WITH H. K. SHAO DECEMBER 28 (REFTEL (B)), SHAO EXPRESSED PERSONAL RESERVATIONS ABOUT IMPACT OF MISSION. IN HIS OPINION, ELIMINATION OF OR EVEN SIZEABLE REDUCTION IN ROC TRADE SURPLUS WITH US WILL TAKE A LONG TIME. A SINGLE MISSION CANNOT BE EXPECTED TO MAKE APPRECIABLE DENT IN THE SURPLUS SINCE SOUND COMMERCIAL RELATIONS DEVELOP SLOWLY. BUYERS AND SELLERS NEED TIME TO MEET AND SIZE EACH OTHER UP AND TO DISCUSS SPECIFICATIONS, PRICES, DELIVERY DATES, ETC., IN AN UNHURRIED ATMOSPHERE. THIS IS PARTICULARLY IMPORTANT IN THE CASE OF ROC-US TRADE RELATIONS SINCE MANY GROC AGENCIES, STATE-OWNED ENTERPRISES AND PRIVATE COMPANIES HAVE NO EXPERIENCE IN DEALING WITH US SUPPLIERS. THEY HISTORICALLY HAVE TURNED TO JAPAN FOR REQUIREMENTS AND MANY OF THEM ARE RELUCTANT TO SWITCH SUPPLIERS. AS FOR THE JANUARY 10 MISSION, SHAO RECOGNIZED THAT IT ALONE WOULD NOT MEET THE EXPECTATIONS OF THE

USG FOR POSITIVE STEPS TO REDUCE THE TRADE SURPLUS.  
UNFORTUNATELY, "CERTAIN ELEMENTS" IN THE GROC LOOK UPON  
THE MISSION AS A GOLDEN OPPORTUNITY TO MAKE POLITICAL  
CAPITAL. BOTH HE AND VICE MINISTER FOR ECONOMIC AFFAIRS  
Y. T. WONG HAD CAUTIONED MINISTER SUN THAT THE MISSION  
COULD HAVE A NEGATIVE IMPACT BUT THEIR WARNINGS WERE  
IGNORED. IN THIS CONNECTION, SHAO EXPRESSED APPRECIATION  
FOR THE "TALKING POINTS" THE AMBASSADOR LEFT WITH  
MINISTER SUN ON DECEMBER 27. SHAO CONCLUDED WITH THE  
COMMENT THAT THE MISSION WOULD ACHIEVE SOME BENEFICIAL  
RESULTS. IT WOULD MAKE SOME PURCHASES, IT WOULD EXPOSE  
REPS OF GROC AGENCIES AND STATE-OWNED ENTERPRISES TO  
THE US MARKET AND IT WOULD SET THE STAGE FOR ADDITIONAL  
PURCHASING MISSIONS IN 1978.  
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ACTION EA-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-08 FRB-03 INR-07  
NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02  
LAB-04 SIL-01 OMB-01 AGRE-00 NEA-10 IO-13 /078 W  
-----038812 300945Z /20

R 300737Z DEC 77  
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3. IN THE EMBASSY'S OPINION, SHAO'S COMMENTS ARE  
WELL TAKEN. THE ROC TRADE SURPLUS WITH THE US DID NOT  
DEVELOP OVERNIGHT NOR WILL IT DISAPPEAR OVERNIGHT. TO  
ELIMINATE IT OR TO REDUCE IT SIGNIFICANTLY WILL TAKE  
TIME AND GREAT EFFORT. IN THIS REGARD, THE SINCERITY  
OF THE GROC IS OF GREAT IMPORTANCE. IT HAS TAKEN  
MEASURES WHICH WILL BENEFIT US EXPORTERS. GROC AGENCIES  
AND STATE-OWNED ENTERPRISES ARE REQUIRED TO PURCHASE

FROM THE US WHENEVER POSSIBLE. MORE AND MORE GOVERNMENT  
TENDERS LIMIT PROCUREMENT TO THE US. PRIVATE COMPANIES  
MUST GIVE DETAILED REASONS WHY THEY CANNOT PURCHASE FROM  
US SUPPLIERS ON ALL TRANSACTIONS IN EXCESS OF US\$50,000  
IN APPLYING FOR AN IMPORT LICENSE. IN ADDITION TO THE  
JANUARY 10 PROCUREMENT MISSION, SEVERAL OTHER MISSIONS  
WILL BE SENT TO THE US IN 1978. UNLIKE THE FIRST MISSION,  
THEY WILL BE ORIENTED BY INDUSTRY CATEGORIES AND WILL  
VISIT TRADE SHOWS, CALL ON INDUSTRY ASSOCIATIONS, VISIT  
PLANTS, ETC. THE EMBASSY IS WORKING CLOSELY WITH THE  
BOARD OF FOREIGN TRADE, THE CHINA EXTERNAL TRADE DEVELOP-  
MENT COUNCIL AND INDUSTRY ASSOCIATIONS IN PLANNING FOR  
THOSE MISSIONS.

4. ONE AREA IN WHICH THE GROC HAS BEEN RELUCTANT TO  
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TAKE ACTION IS THE ELIMINATION OF NTB'S WHICH DISCRIMINATE  
AGAINST US EXPORTS. THE PROBLEMS WE HAVE HAD IN SELLING  
APPLIES, CITRUS, RAISINS, PRUNES AND PROCESSED FOODS IN  
GENERAL ARE WELL KNOWN. CALCULATING DUTY ON CIF PRICE  
PLUS 20 PERCENT SURCHARGE FAVORS JAPANESE SUPPLIERS AND  
STIFLES DEMAND. THE AMBASSADOR RAISED THIS MATTER WITH MIN. SUN  
(REF C) AND THE EMBASSY HAS ENCOURAGED AND WILL CONTINUE  
TO ENCOURAGE GROC TO ELIMINATE NTB'S WHEREVER  
THEY OCUR. DEPARTMENT MAY WISH TO RAISE MATTER WITH  
SHAO WHEN HE IS IN WASHINGTON IN FEBRUARY.  
UNGER

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
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**Disposition Date:** 22 May 2009  
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**Status:** NATIVE  
**Subject:** ROC GOVERNMENT BUYING MISSION/THE "BUY AMERICA" PROGRAM  
**TAGS:** BEXP, ETRD, TW  
**To:** STATE  
**Type:** TE  
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